

Identification of the Area

Name or Designation: Plateau and Valley

Commercial Area 95

Delineation:

Commercial Area 95, generally speaking, consists of that area of King County east of Lake Sammamish and north of Rattlesnake Ridge. The northern boundary coincides with the King-Snohomish county line, which extends east from Woodinville to the crest of the Cascade Mountains. The eastern boundary corresponds to the King-Chelan and King-Kititas county lines?South to the south line of Township 22 North. Along the south, the boundary runs through the Snoqualmie National Forest to Section 35, Township 22 North, Range 8 East, WM, before zigzagging northwest to the south end of Lake Sammamish. The west side is bounded by Lake Sammamish and the Sammamish River, except north-east Redmond and northeast Woodinville, which are in Area 90.

Maps:

A general map of the area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

Area Description:

Commercial Area 95 is referred to as the "Plateau and Valley" area because it includes the Sammamish Plateau and the Snoqualmie River Valley. With the exception of Issaquah (Areas 95-20), which is considered urban, and Sammamish (Area 95-10), which is considered suburban, most of Commercial Area 95 is rural in nature. Unlike other commercial areas within the county that are homogeneous in nature, Commercial Area 95 is a diverse region covering more than 1,200 square miles and includes the cities of Sammamish, Duvall, Carnation, Skykomish, Snoqualmie, and North Bend, as well as portions of the cities of Woodinville and Issaquah. "Rural (unincorporated) towns" include Fall City and Snoqualmie Pass, while "rural centers" include Cottage Lake, Preston and the Redmond Ridge retail area. With the exceptions of Issaquah and Sammamish, Area 95 lies outside of the *Seattle Metropolitan Area Urban Growth Line*. Given the complex and diverse nature of Commercial Area 95, it is divided into 10 sub-areas, or neighborhoods. The following are brief descriptions of each of the neighborhoods.

Area 95-10: Sammamish

This neighborhood includes the city of Sammamish, plus adjacent properties outside of the city but considered to be within its market area. The neighborhood is located on the east side of Lake Sammamish with Redmond to the north and Issaquah to the south. Commercial properties are clustered in three centers, the Inglewood Plaza commercial area, Pine Lake Plaza, and the Klahanie Community Center. Most of the neighborhood, with the exception of the Klahanie Community Center, is situated within incorporated city of Sammamish. Klahanie is adjacent to the city and is part of

the market area. Over the past several years there has been little in the way of market activity in this neighborhood with respect to commercial properties. As in past years, there has been limited new construction and market activity within this neighborhood, and most new development is multi-family housing. All of Area 95-10 is located within the *Seattle Metropolitan Urban Growth Area* boundary.

Area 95-15: Avondale – Union Hill

The Avondale-Union Hill Neighborhood includes all of the unincorporated areas north of the Redmond-Fall City Road plus two small portions of incorporated Woodinville. The area extends south of the King-Snohomish county line to the Redmond-Fall City Road almost to Fall City. The major commercial centers include Cottage Lake, near the Avondale Road and Woodinville-Duvall Road intersection, the Hollywood School area at the intersection of NE 145th Street and the Woodinville-Redmond Road, and the new Redmond Ridge development. Other commercial/industrial properties are scattered throughout the neighborhood. Of the ten commercial neighborhoods, Area 95-15 has experienced the most new construction activity over the past year. Market activity, as in the past, has generally been restrained. With the exception of the small area within the city of Woodinville and the new Redmond Ridge neighborhood, all of Area 95-15 is located outside of the *Seattle Metropolitan Urban Growth Area* boundary.

Area 95-20: North Issaquah

This neighborhood includes that area of Issaquah lying north of Holly Street plus the new “planned unit development” of the Issaquah Highlands. The neighborhood is an eclectic mix of small apartment buildings, small and medium mixed office buildings, shopping centers and retail stores in the older neighborhoods, and newer office buildings and new apartment and condominiums up on the Sammamish plateau. There are also several industrial properties, including the Lakeside Sand and Gravel pit and the Rowley Business Park. Most of Area 95-20 is located within the city limits of Issaquah and all of it lies within the *Seattle Metropolitan Urban Growth Area* boundary. Growth and development within this area has been being limited due to a traffic concurrency and water moratorium. Both of these limitations have been partially mitigated and the restrictions are less severe than in previous years. Most of the new development has occurred in the Issaquah Highlands. Market activity continues to be somewhat limited. Geographically, Area 95-20 is the smallest neighborhood, but it has the greatest number of improved parcels and is the most urbanized.

Area 95-30: Duvall

This market area includes the city of Duvall and surrounding commercial and industrial properties considered to be within the Duvall market area. Duvall is an old incorporated town located on the ridge east of the Snoqualmie River. The recent residential growth within the community has spurred several major commercial projects, including the Riverview Plaza near the old downtown core, plus the Copper Hill Square development and the new Safeway shopping center at the south end of town. The new development at the south end of town has had a negative impact on the occupancy of the older downtown business core, as tenants have relocated to the

newer buildings. The sewer moratorium imposed by the city to curb development, and in effect for the past eight years was finally lifted in September 2005. There has been no commercial activity as a result of the lifting of the sewer moratorium. Market activity is still limited. As an incorporated city, Duvall has its own *Urban Growth Area Boundary Line* that generally conforms to the existing city limits. There are still limitations, however, on new commercial development. All of Area 95-30 lies outside of the *Seattle Metropolitan Area Urban Growth Area* line and, with the exception of properties within the city of Duvall, new commercial development will be limited.

Area 95-35: Carnation

The Carnation market area consists of the city of Carnation and adjacent unincorporated areas, including the Nestle Regional Training Center. Carnation is an old incorporated town located along the Snoqualmie River. Carnation, unlike Duvall, has experienced very little in the way of growth or new construction in either its commercial and residential sectors. This is due primarily to the fact that the city does not have a sewage treatment plant and all properties are on septic systems. Currently there are no definitive plans for a citywide sewer system. Like Duvall, Carnation has its own *Urban Growth Area Boundary Line*, which generally conforms to the existing city limits. However, because the community lies outside of the *Seattle Metropolitan Area Urban Growth Line* and lacks a sewer infrastructure, new commercial development is expected to be limited.

Area 95-40: North Bend

The North Bend neighborhood is limited to city of North Bend. Adjacent areas to the north, east, and south are now included in Area 95-45. Area 95-40 consists of two market sub-areas, the old retail center of downtown North Bend, and the newer commercial center at the South Fork Interchange off I-90. There has been little market activity in either sub-area, and an on-going water moratorium has restricted new development within the city. Thus, while there is little new construction, there are several remodeling and renovations projects of existing buildings. As an incorporated city, North Bend has its own *Urban Growth Area Boundary Line*, which it shares with the city of Snoqualmie (Area 95-50). The North Bend portion of the *Urban Growth Area Boundary Line* extends east beyond the existing city limits to include the Edgewick Interchange off of I-90 in Area 95-45 allowing for potential development in that area. The community still lies outside of the *Seattle Metropolitan Area Urban Growth Line*, which, along with the water moratorium has limited new commercial development.

Area 95-45: East I – 90 Corridor

The East I – 90 Corridor area is the eastern most commercial area in the county. It consists of all “commercial” properties east of the city of North Bend. The neighborhood includes properties along the old Sunset Highway, the Edgewick Interchange to I-90, and the Snoqualmie Summit. A water moratorium imposed by the state has restricted most new construction although there have been several new industrial development projects within the neighborhood on properties served by the Salla Water District. The properties east of the Edgewick Interchange are situated within

the Snoqualmie-Mt. Baker National Forest and are primarily governmental and non-taxable properties. Most of the private commercial property is concentrated at or near the summit where new development is severely curtailed. This entire neighborhood is situated in unincorporated King County, and while a portion of the neighborhood is included in the North Bend *Urban Growth Area Boundary Line* most of the area is restricted to development.

Area 95-50: Snoqualmie

This neighborhood includes the city of Snoqualmie, and adjacent unincorporated areas considered to be within the Snoqualmie market area. Development in Area 95-50 is restricted by the Snoqualmie River flood plane, which encompasses much of the area. Unlike the other rural communities, Snoqualmie has a modern sewage treatment plant built to accommodate the new construction in the new Snoqualmie Ridge neighborhoods. Most of the growth has occurred in the new Snoqualmie Ridge neighborhood to the west of the old downtown business core. The Snoqualmie Ridge Business Park was developed as a high-tech business park offering amenities more comparable to those offered in Bellevue or Redmond. It is superior to other industrial areas in the vicinity and was able to command premium prices. However, due to the recent economic turndown, the developers of Snoqualmie Ridge decided to liquidate their holdings and sell off their remaining parcels at a steep discount. Other sales within the neighborhood, however, are more reflective of the current economic trends. Construction activity is limited to the Snoqualmie Ridge area. The large Snoqualmie Lumber Mill, owned by Weyerhaeuser Company, is currently closed and deed restrictions that limit land use to timber processing have limited the potential development of this property. As with Area 95-40 (North Bend), there has been limited construction in the downtown retail core, but again, remodeling and renovations of existing buildings are taking place. The neighborhood lies outside of the *Seattle Metropolitan Area Urban Growth Line*, but shares an existing *Urban Growth Area Boundary Line* with the city of North Bend. The Snoqualmie portion of the *Urban Growth Area Boundary Line* extends north of the city to include the existing sawmill properties. As with North Bend, Snoqualmie lies outside of the *Seattle Metropolitan Area Urban Growth Line*, and while there is some new commercial development, overall growth potential appears limited.

Area 95-55: Preston – Fall City

This market area includes two separate unincorporated areas. The “*rural center*” of Preston, located adjacent to Interstate 90 between Issaquah and Snoqualmie, consists of the “highlands” and is more industrial in character. The second is the “*rural town*” of Fall City located adjacent to the Snoqualmie River and is more residential and commercial in character. The Snoqualmie River flood plane and the lack of sewers throughout the neighborhood restrict development in Area 95-55, although there has been major warehouse construction in the Preston market. Most of the market activity has also occurred in the Preston market. There has been little construction or market activity in the Fall City market. This neighborhood lies outside both the *Seattle Metropolitan Area Urban Growth Line* and the *Snoqualmie-North Bend Urban Growth*

Area Boundary Line. Due primarily to the lack of sewers, overall growth potential appears limited for this market area.

Area 95-60: Skykomish & Stevens Pass

Area 95-60 is the largest of the ten neighborhoods within Area 95, but it has the fewest number of parcels. The neighborhood is limited to commercial properties along the Stevens Pass Highway, the city of Skykomish, and the King County portion of the Stevens Pass Ski Area. This neighborhood lies entirely outside of the *Seattle Metropolitan Area Urban Growth Line*. The City of Skykomish has been granted an *Urban Growth Area Boundary Line*, which corresponds to the existing city limits. The majority of Area 95-60 lies within the Snoqualmie-Mount Baker National Forest and new development is severely curtailed. A large portion of the commercial core of the city of Skykomish has been identified as being impacted by oil contamination caused by over 100 years of railroad operations. The extent of the contamination is still in question. Due to a lack of sales the economic impact is yet unknown. There has been no new construction activity in this market area and the market activity has been limited.

Physical Inspection Area?

For the year 2006, the physical inspection neighborhoods are Area 95-45, the *East I-90 Corridor* and Area 95-60, *Skykomish & Stevens Pass*. While these two neighborhoods contain the fewest parcels the geographic area is the largest. Area 95-45 contains 184 parcels and Area 95-60 contains 66 parcels. The 250 parcels constitute approximately 13% of the total parcel count of 1,894.

Preliminary Ratio Analysis

A Preliminary Ratio Study done in March of 2006 includes sales of property occurring between January 1, 2003 and March 31, 2006. The Preliminary Ratio Study indicated a Coefficient of Variation (COV) of 23.78%

The Ratio Study was repeated following the application of the 2006 recommended values. The result is included in the VALUATION SECTION of this report. The new COV is 18.34%.

Scope of Data

Land Value Data:

Vacant land sales occurring between January 2003 and December 2005 were given primary consideration in the land valuation. However, given the limited number of vacant land sales in most neighborhoods, consideration is also been given to sales that occurred prior to and after the primary market period. Additionally, sales from competing neighborhoods were used in the valuation of various properties. All of the sales were investigated. Those sales verified as “good” were coded as such in the Assessor’s records and used in the ratio study. Some multi-parcel sales were also considered after combining

the various aspects of all parcels involved in the sale. Not all neighborhoods experienced land sales and not all land sales were used. In addition to the commercial land sales, sales of vacant non-commercial zoned land were considered in the valuation of those parcels having a non-commercial zoning but are used for commercial purposes. However, since these sales are not commercial, they were not included in the ratio study.

Improved Parcel Total Value Data:

Improved sales occurring between January 2003 and December 2005 were given primary consideration in the valuation process. Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division-Sales Identification Section. The sales information is further analyzed and investigated by the appraiser during the valuation process. An attempt is made to verify all sales by contacting the purchaser and seller, or contacting the real estate agent and/or broker. If possible, characteristic data is also verified and updated at this time. The sales are listed in the "Sales Used" and "Sales Not Used" sections of this report. "Sales Used" refer to those sales specifically used in developing the ratio study. "Sales Not Used" indicates that, for one reason or another, the sale is not used in the ratio study. These sales, however, may have been considered in the overall valuation of the population as a whole.

Land Value

Land Sales, Analysis, Conclusions

For this year's revaluation, there are more arms-length "fair market" unimproved land sales than in previous revaluations. However, the number is still considered insufficient for such a vast and varied market area. As in past years, most of the sales have occurred in the rural cities and unincorporated surrounding areas. Whether based on zoning, location, or utilities, any analysis of the land sales fails to detect or establish any significant valuation patterns.

Land is valued assuming it vacant and able to be developed. Primary considerations in the land valuation are location (neighborhood), zoning, site size, availability of utilities, and access. Additional consideration is given to presence or lack of developmental restrictions such as wetland, setbacks, topography, etc, shape, and frontage. Additionally, contiguous properties under single ownership and utilized as an economic unit are given additional consideration. Because the highest and best use of the land is assumed commercial or industrial in nature, no consideration is given to view, view potential, waterfront, traffic noise, proximity to power lines, or other nuisances, which might affect residential land values, unless such problems would also affect the commercial aspect of the site.

Rural land is valued based on a square foot basis with zoning as the primary delineator, with each zoning having a base land size and a base value per square foot. Within a zone, the base land size and base value per square foot may differ due to location or jurisdiction. The base square foot values were adjusted to reflect the overall size of the site, with addi-

tional adjustments for utilization, utilities, access, etc. Urban land is also valued based on a square foot basis based on zoning.

Condominium and apartment properties, on the other hand, are valued based on a “per dwelling unit” basis rather than the per square foot basis and values are expressed as a “site value”. Site valuation is based on the number of units within a development, or for undeveloped land, the number of potential units allowed under the zoning and taking into consideration environmental factors when appropriate. The site value ranges for multi-family parcels (apartments and condominiums) are presented below. *DU/Acre* is ‘Dwelling Units per Acre’ and *Value/DU* is the indicated value per dwelling unit.

Area	Jurisdiction	Zone Code	Zone Description	DU/Acre	Value/DU
95-10	King County	R-4	R-4 Residential	4	\$20 / \$25,000
95-10	Sammamish	R-6	R-6 Residential	6	\$12 / \$25,000
95-10	King County	R-6	R-6 Residential	6	\$25 / \$30,000
95-10 & 20	Issaquah	UV	Urban Village	7	\$20 / \$65,000
95-10 & 15	King County	R-12-P	R-12 Residential	12	\$25 / \$35,000
95-10	Sammamish	R-12	R-12 Residential	12	\$18 / \$22,000
95-10 & 15	King County	R-18	R-18 Residential	18	\$12 / \$15,000
95-10	Sammamish	R-18	R-18 Residential	18	\$20 / \$22,000
95-10	King County	R-24SO	R-24 Residential	24	\$30 / \$40,000
95-20	Issaquah	MF-M	Multi-family Medium	14.5	\$20 / \$3000
95-20	Issaquah	MF-H	Multi-family High	29	\$12 / \$2400
95-20	Issaquah	MUR	Mixed-Use Residential	14.5	\$18 / \$27000

The values per dwelling unit, indicated above, cover most of the multi-family sites. There are, of course, some properties, which for one reason or another fall outside of the normal value range. These, however, are the minority.

Other properties valued on a “site” basis include mobile home parks, cemeteries, and marginal-use properties such as easements, rights-of-way, drain fields and retention pond sites, and some native growth protection sites.

The following are detailed discussions of the sales analysis for the various market areas. With the exception of the first two properties in Area 95-40, the sales are presented in a chronological order. The first sale listed being the oldest for the neighborhood, the last sale being the most recent.

Area 95-10: Sammamish

There were no land sales for the market period in Area 95-10.

Area 95-15: Avondale – Union Hill

There were three useable land sales for this market area during the period of January 2003 through December 2005. All three occurred in the new Redmond Ridge Retail commercial area, between Redmond and Duvall, and are located in the midst of a growing residential and commercial area and served by all utilities. The first two sales are located in the heart of the new commercial development and are developed as

parking lots. The sales price of these parcels was \$20.00 per square foot, and indicate the upper end of the value range. The third sale is also in the Redmond Ridge area, but of land less developed. The sales price per square foot of \$2.39 per square foot is reflective of the lower end of the value range. All three sites are zoned *URPSO* (*Urban Reserve*).

Major	Minor	E Tax Number	No of Parcels	Date of Sale	Sales Price	Site Size (SF)	Price per SF	Zoning
720239	0060	2153242	1	09/08/05	\$ 646,600	32,330	\$20.00	URPSO
720230	0070	2165865	1	10/23/05	\$ 784,600	39,230	\$20.00	URPSO
720225	0100	2165107	1	10/25/05	\$ 500,000	208,841	\$ 2.39	URPSO

Two additional sales are worth noting. In both instances, the parcels have been merged or subdivided and no current land value is available for the ratio analysis. The sales, however, have been used in the overall analysis to arrive at the current land values for the neighborhood. The first of these occurred September 2003 for \$9,376,444, or \$4.75 per square foot. It included four non-contiguous parcels totaling 1,975,832 square feet and the lower sales price considers a “bulk value” consideration given to the buyer. This sale, like the three noted above, is zoned *URPSO* and is also located in Redmond Ridge. Redmond Ridge sales have little bearing on land values in other neighborhoods within Area 95-15. The other sale was of a vacant multi-family residential zoned site, *R-1*, located off of the Woodinville-Duvall Road between Woodinville and the junction with Avondale Road. This site sold in November 2003 for \$1,075,000, or \$2.79 per square foot. The 385,070 square foot site had limited access, but water and sewer were available to the site. This site has subsequently been subdivided into single-family building lots.

Area 95-20: North Issaquah

For the current market period, January 2003 through December 2005, there were three sales of vacant commercial land, all in the Issaquah Highlands neighborhood. The first sale is one of the two sites purchased by Microsoft for its Issaquah Campus, subsequently put on hold. This site is level, at grade, and served by all utilities. It sold for \$19.13 per square foot in September 2003. The second parcel sold in January 2004, for \$6.69 per square foot. However, this site was only about half-buildable, the western half having steep slopes. Subsequent to this sale, the site was subdivided and the eastern half was sold in September 2005, for \$29.60 per square foot. The area of the latest sale was level and at grade and the current development plan is for multi-family units that can take advantage of the excellent views offered from this site. All three sales were zoned *UV* (*Urban Village*).

The three sales in the Issaquah Highlands do not represent the other commercial neighborhoods within Area 95-20.

Major	Minor	E Tax Number	No of Parcels	Date of Sale	Sales Price	Site Size (SF)	Price per SF	Zoning
272406	9209	1997345	1	10/21/03	\$19,379,532	1,013,197	\$19.13	UV
272406	9007	2013233	1	01/05/04	\$ 9,097,496	1,306,800	\$ 6.69	UV
272406	9007	2165958	1	10/23/05	\$21,696,260	733,115	\$29.60	UV

Area 95-30: Duvall

There were no land sales for the market period in Area 95-35. Of special note, however, is the sewer moratorium that had existed for the past several years has been lifted and all property in the city of Duvall now has access to sewers.

Area 95-35: Carnation

There was one vacant land sale in Area 95-35. The property is located along the east side of Tolt Avenue and extends to McKinley Avenue. The site, which is zoned *CBD (Central Business District)*, is vacant and at grade. It has water but no sewers. The sale occurred in March 2005 for \$14.65 per square foot.

Major	Minor	E Tax Number	No of Parcels	Date of Sale	Sales Price	Site Size (SF)	Price per SF	Zoning
865730	0301	2110672	1	03/21/05	\$172,300	11,765	\$14.65	CBD

Area 95-40: North Bend

For the current market period, Area 95-40 experienced the most activity with seven sales. The first sale, zoned *HDR (High Density Residential)*, is located at the eastern edge of the city, outside of the established business zone. The site is level and at grade, but has neither water nor sewer. It sold for \$3.12 per square foot.

The next three sales are each zoned *EP-1 (Employee Park-1)* and are located to the northwest of downtown North Bend along Boalch Avenue NW. All of the sales are level and at grade and none have water or sewer available. The first sale occurred in September 2003 for \$.66 per square foot. The second, which consists of six parcels - one of which has a vacant modular office on it, is located across the street from the previous sale and occurred in April 2004. This property sold for an average of \$.80 per square foot. The third industrial zoned sale sold in September 2004, for \$1.12 per square foot. Subsequent to the sale, the site was developed with a mini-storage facility (one of the few improvements that do not require water or sewer).

The final set of sales, on the other hand, are zoned *DC (Downtown Commercial)*. As with the sales listed above, none of these parcels had water or sewer available. The first of these sold in September 2004 and is of a single vacant lot located beyond the end of West 2nd Street, adjacent to the Snoqualmie River. This site sold for \$5.64 per square foot without platted access. The second commercial site is located towards the eastern end of downtown North Bend, adjacent to the Post Office along East North Bend Way. This site sold in December 2004, for \$11.00 per square foot. The final commercial site sold in September 2005 for \$12.18 per square foot and is located on West North Bend Way at the west end of the commercial district.

Altogether, these seven sales present a viable value range for both industrial and commercial zoned properties in this market.

Major	Minor	E Tax Number	No of Parcels	Date of Sale	Sales Price	Site Size (SF)	Price per SF	Zoning
102308	9020	1939977	1	02/20/03	\$1,800,000	576,298	\$ 3.12	HDR
042308	9029	1989237	1	09/16/03	\$ 575,000	871,200	\$.66	EP-1
042308	9036	2035192	6	04/23/04	\$ 500,000	621,685	\$.80	EP-1
042308	9012	2073442	1	09/21/04	\$1,000,000	890,366	\$ 1.12	EP-1
857090	0188	2078638	1	10/11/04	\$ 90,000	15,969	\$ 5.64	DC
092308	9039	2089915	1	12/07/04	\$ 289,584	27,144	\$11.00	DC
857090	0208	2165041	1	10/25/05	\$ 113,500	9,320	\$12.18	DC

Area 95-45: East I -90 Corridor

There are six land sales from the current market period in Area 95-45. All developed property in Area 95-45 are on private sewer systems and most have access to the Salla Water District. The first two sales are zoned *IP-(Industrial Property)*, although there are differing development requirements depending on the SO (*special overlay*) requirements. The first of the industrial sales occurred in December 2002 for \$6.08 per square foot. The site is located off SE 140th Street, is at grade, but lacks highway exposure. The second industrial sale occurred in December 2003 for \$5.27 per square foot. This site is also level and at grade, and has frontage along SE North Bend Way.

The remaining three sales are zoned *RBSO (Regional Business)* or *URSO (Urban Reserve)* and are commercial in nature. The first of these occurred in July 2003 for \$7.17 for a level site having frontage and access off both SE 140th and SE North Bend Way. The second occurred in September 2004 for \$3.38 per square foot. This site is level and at grade with frontage along SE North Bend Way. The third occurred in August 2005 for \$8.32 per square foot. This site has over 900 feet of frontage along SE North Bend Way and is generally level and at grade. The single *URSO* sale occurred in February 2004, and consists of five parcels along the north side of SE North Bend Way, with one extending to SE 140th Street and includes both *RBSO* and *URSO* zoning. The property is level and at grade, and sold for \$5.18 per square foot.

Altogether, these six sales present a viable value range for both industrial and commercial zoned properties in this market.

Major	Minor	E Tax Number	No of Parcels	Date of Sale	Sales Price	Site Size (SF)	Price per SF	Zoning
132308	9166	1926454	1	12/04/02	\$ 850,000	139,827	\$ 7.23	IPSO
142308	9073	2008956	1	12/15/03	\$1,631,380	309,700	\$ 5.27	IP
142308	9074	1983929	1	07/31/03	\$ 625,000	87,120	\$ 7.17	RBSO
242308	9022	2070790	1	09/20/04	\$1,350,000	412,077	\$ 3.28	RBSO
102308	9009	2151672	1	08/02/05	\$ 950,000	115,869	\$ 8.32	RBSO
132408	9046	2021603	5	02/16/04	\$ 350,000	67,500	\$ 5.18	URSO

Area 95-50: Snoqualmie

Sales activity in Area 95-50 has slowed down from previous years. For the current market period, there were only four market sales. The first two sales are zoned *Business (B)*, and the first of these is located along Maple Street, near downtown Snoqualmie, but not fronting Railroad Avenue. This sale occurred in March 2005 for \$16.67 per square foot. The site has sewer, but no storm sewer, curbs, or sidewalks.

The second *B* zoned parcel is located in the Meadowbrook district of Snoqualmie, and sold for \$1.65 per square foot. This site is triangular, fronts the Snoqualmie River, is in the flood plane, and the sale took place while repair work was underway on the adjacent Meadowbrook Way Bridge.

The final two sales are zoned *MU* (*Multiple-Use*), and are located in the new Snoqualmie Ridge commercial district. The sites have water, sewer, curbs, gutters, and sidewalks. One site is to be developed with a new supermarket.

Altogether, the data (value ranges for each zone) presented by these sales does not provide an adequate background to value neighborhood properties.

Major	Minor	E Tax Number	No of Parcels	Date of Sale	Sales Price	Site Size (SF)	Price per SF	Zoning
784920	1430	2107985	1	03/11/05	\$ 150,000	9,000	\$ 16.67	B
541710	0045	2158659	1	09/27/05	\$ 7,000	4,256	\$ 1.65	B
262407	9066	2168084	1	11/02/05	\$ 836,548	67,082	\$ 12.47	MU
262407	9072	2156556	1	09/20/05	\$1,228,485	173,368	\$ 7.09	MU

Area 95-55: Preston – Fall City

There was one land sale in Area 95-55, an industrial site in Preston with water, but no sewer. The site is generally below grade, but has good street exposure. The sale occurred in August 2004 for \$9.07 per square foot.

Major	Minor	E Tax Number	No of Parcels	Date of Sale	Sales Price	Site Size (SF)	Price per SF	Zoning
322407	9128	2060968	1	08/05/04	\$2,050,000	225,924	\$ 9.07	IP

Area 95-60: Skykomish

There were no land sales for the market period in Area 95-60.

For the most part, the sales presented support the basic assumptions for the overall valuation of land within Commercial Area 95. The first assumption being that sales price per square foot is related to overall site size, i.e. all things considered, larger sites tend to sell for less per square foot than smaller sites. The second assumption being properties with utilities, particularly water, sell for more than properties without water (there is less of an impact with sewers in this predominately rural area). The primary consideration in the underlying land values are based on zoning and site size. The total assessed value for land prior to the revaluation was \$796,235,800. After revaluation, the assessed value for land is \$852,493,158, for an increase of 7.07%.

Improved Parcels: Total Values

Sales comparison approach model description

The model for the sales comparison approach is based on four fields within the Assessor's records; the occupancy codes, the effective age of the improvements, construction class, and the gross building size. A search is made of the data that most closely fit a given property within each geographic area and sub-area.

There were 67 improved sales in Commercial Area 95 considered fair market transactions reflective of market conditions for the various property types, thus considerable weight is given to the sales comparison approach. As with the vacant land sales, the improved sales were not evenly spread out within the area. There was one sale from Area 95-10 (Sammamish), seven from Area 95-15 (Avondale–Union Hill), twelve from Area 95-20 (North Issaquah), five from Area 95-30 (Duvall), ten from Area 95-35 (Carnation), thirteen from Area 95-40 (North Bend), two from Area 95-45 (the East I-90 Corridor), twelve from Area 95-50 (Snoqualmie), two from Area 95-55 (Fall City–Preston), and three from Area 95-60 (Skykomish). Of equal significance with the geographic distribution of the sales is their chronological distribution. Of the 67 sales, 16 occurred in 2003, and 24 in 2004, and 27 in 2005.

The sales were analyzed primarily on predominant use and section use to arrive at a price per square foot value range. If applicable, differing building segments were also analyzed. Typically, multi-parcel sales and sales with improvements that were remodeled or experienced a change in use were excluded from the ratio study. The sale prices establish general value ranges that delineate the upper and lower market value limits for the various property types within the subject market areas. In applying the sales comparison approach: location, quality, and effective age are factors considered in addition to the property use. When sales data is available, the market approach is considered the most reliable approach to value.

Sales comparison calibration

Comparable sales from each market were investigated and applied to comparable properties within that market area. Additionally, sales from competing or similar market areas were included to supplement the surrounding neighborhoods within the geographic areas. Finally, sales of comparable property classes and uses were also considered. Data from the sales were analyzed and compared to income and cost data.

Cost approach model description

A replacement cost new – less depreciation (RCNLD) analysis based on the *Marshall & Swift Commercial Estimator* is automatically calculated on all improved properties. Depreciation is based on studies done by the Marshall & Swift Valuation Service. Both costs and depreciation are adjusted to the date of valuation, January 1, 2006. The “Current Cost Multiplier” is based on the final quarter of the year, while the “Local Cost Multiplier” is based on Western US region and the Seattle Area market. On the whole, these Seattle-based cost figures do not reflect the true costs associated with most of rural Commercial Area 95. Thus, other than publicly owned, tax-exempt properties, and new con-

struction, the use of the cost approach has been limited even though many properties have improvements and are not considered “income” properties. The cost approach, however, has been used exclusively for the valuation of publicly owned and/or tax-exempt properties

Cost calibration

The *Marshall & Swift Commercial Estimator* built into the Real Property Application is calibrated by the Marshall & Swift Valuation Service. By accessing the parcel and computerized valuation model supplied by Marshall & Swift, the appraiser valuing new construction can individually re-calibrate Marshall-Swift valuations for specific building segments.

Income capitalization approach model description

Income tables have been developed for the income capitalization approach for each of the ten neighborhoods. The tables are developed for specific property types and are broken down into specific use classifications; such as retail uses, office space, eating establishments, supermarkets, medical/dental services, attached residential, multi-family group care residences, detached single-family residential, day care centers, industrial – manufacturing, storage, agricultural, and recreational uses. Finished basements and mezzanine uses are also considered, although these uses may be combined with other uses.

Additionally, there are “No Income” tables for each neighborhood to cover buildings, or building uses for which the income approach is not applicable, such as exempt parcels and/or special use properties where no income information exists, unfinished basements, or small sheds. Each neighborhood is unique in its income tables, and a uses that may have been calculated in one neighborhood may be in the “No Income” table in another.

Income approach calibration

The income tables are based on the effective age and condition of the various building component based on size, effective age, and construction quality as recorded in the Assessor’s records. Each building component is then calibrated based on typical economic rent (RENT), market vacancy and credit loss (VCL), typical operating expenses (OEX), and capitalization rates (CAP) for its specific neighborhood. In a number of instances, a blended, or override, rate may be utilized in the valuation of specific properties.

Income, vacancy allowances, and operating expenses are based on published market sources such as *Costar*, Commercial Bankers, Association, Cushman & Wakefield, and the *CBRE Market Views*. These published sources, as a rule, however, do not cover the rural markets of East King County. To compensate for this lack of published data a questionnaire was developed and mailed to all listed owners of “commercial” property. The results of the questionnaire were used to supplement existing published data.

The income tables are included in the addenda of this report. The following are brief summaries of the information presented in the income tables for the various neighborhoods.

Area 95-10 Sammamish

The Sammamish neighborhood has eleven income tables, plus the “No” Table.

Land Use	Rent range per SqFt	VCL Range	OEX Range	CAP Range
Office and Medical & Dental	\$12.00 - \$30.00	8% - 15%	8% - 30%	8.75% - 10.0%
Retail & Mixed Use	\$8.00 - \$23.00	10%	12% - 15%	9.00% - 10.0%
Restaurant & Bar–Tavern	\$14.00 to \$25.00	5% - 7%	10% - 15%	8.50% - 9.00%
Non-Retail Commercial	\$8.00 - \$17.00	10%	10% - 20%	9.75% - 10.0%

Typically, rents for offices, medical & dental buildings, and banks range between \$12.00 and \$30.00 per square foot, with medical and dental offices typically occupying the upper end of the rent range. Vacancy rates (VCL) typically range between 8% and 15%. Operating Expenses (OEX), expressed as a percentage, typically range between 8% and 30%. Capitalization rates (CAP) range between 8.75% and 10%.

Typical rents for Retail and Mixed Use properties between \$8.00 and \$23.00 per square foot. The VCL rate is estimated at 10%. OEX rates typically range between 10% and 15%. CAP rates range between 9.75% and 10%.

Restaurants, both sit-down and fast foot, have typical rents between \$14.00 and \$25.00 per square foot, with fast foot restaurants typically occupying the upper end of the rent range. VCL rates typically range between 5% and 7%, while OEX rates range between 12% and 15%. The CAP rate ranges between 8.5% and 9%.

Non-retail commercial uses have typical between \$8.00 and \$17.00 per square foot, while VCL rates are estimated at 10%. OEX rates tend to range between 10% and 20%. CAP rates for non-retail commercial properties range between 9.75% and 10.0%.

There are no industrial or warehouse properties in Area 95-10 neighborhood.

Area 95-15 Avondale-Union Hill

The Avondale–Union Hill neighborhood has twelve income tables, plus the “No” Table.

Land Use	Rent range per SqFt	VCL Range	OEX Range	CAP Range
Office and Medical & Dental	\$10.00 to \$18.50	5% - 20%	12% - 58%	9% - 9.75
Retail, Banks, & Mixed Use	\$10.00 to \$22.00	8% - 10%	10 – 12%	9%
Restaurant & Bar–Tavern	\$11.00 - \$17.00	5%	12%	9.5%
Non-Retail Commercial	\$4.50 - \$12.00	10 – 12%	10% - 15%	9.00% - 9.5%
Agricultural Uses	\$2.00 to \$7.00	12% - 20%	10% - 15%	9% - 10%

Typically, rents for offices and medical & dental buildings range between \$10.00 and \$18.50 per square foot. VCL rates typically range between 5% and 20%. OEX rates typically range between 12% and 58%. CAP rates range between 9% and 9.75%.

Typical rents for Retail, Banks, and Mixed Use properties between \$10.00 and \$22.00 per square foot. The VCL rates are estimated between 8% and 10%. OEX rates typically range between 10% and 12%. The CAP rate is estimated at 9%.

Restaurants, both sit-down and fast foot, have typical rents between \$11.00 and \$17.00 per square foot, with fast foot restaurants typically occupying the upper end of the rent range. The VCL rate is estimates at 5%, while OEX's are estimated at 12%. The CAP rate for restaurants is range estimated at 9.5%.

Non-retail commercial uses have rents between \$4.50 and \$12.00 per square foot. VCL rates are estimated at between 10% and 12%. OEX rates tend to range between 10% and 15%, and CAP rates for non-retail commercial properties range between 9.00% and 9.5%.

There are no industrial or warehouse use properties in Area 95-10 neighborhood, but there are several "commercial" agricultural use properties. For these uses, rents range between \$2.00 and \$7.00 per square foot. VCL rates are estimated at between 12% and 20%. OEX rates tend to range between 10% and 15%, and CAP rates for the "agricultural" properties range between 9.00% and 10.0%.

Area 95-20 North Issaquah

The North Issaquah neighborhood has thirteen income tables, plus the "No" Table.

Land Use	Rent range per SqFt	VCL Range	OEX Range	CAP Range
Office and Medical & Dental	\$20.00 to \$27.00	8% - 20%	27.% - 32%	8%
Retail & Mixed Use	\$6.00 - \$21.00	7.5% - 10%	10% - 15%	8% - 8.5%
Restaurant & Bar-Tavern	\$18.00 to \$43.00	10%	10% - 20%	9%
Industrial & Warehouse	\$5.00 to \$7.50	7.5% - 10%	15% - 20%	8% - 8.5%

Typically, rents for offices and medical & dental buildings range between \$20.00 and \$27.00 per square foot. VCL rates typically range between 8% and 20%. OEX rates typically range between 27% and 32%. CAP rates are estimated at 8%.

Typical rents for Retail and Mixed Use properties between \$6.00 and \$21.00 per square foot. The VCL rates are estimated between 7.5% and 10%. OEX rates typically range between 10% and 15%, and CAP rates are estimated at 8.00% to 8.5%.

Restaurants, bar, and tavern rents, including both sit-down and fast foot, range between \$18.00 and \$43.00 per square foot, with fast foot restaurants and newer "trendy" sit-down restaurants typically occupying the upper end of the rent range. The VCL rate is estimates at 10%, while OEX's are estimated at between 10% and 20%. The CAP rate for restaurants, bars and taverns is range estimated at 9.0%.

Industrial and warehouse properties typically rent for between \$5.00 and \$7.50 per square foot. VCL rates are estimated at between 7.5% and 10%. OEX rates tend to range between 15% and 20%, and CAP rate ranges between 8.00% and 8.5%.

Area 95-30 Duvall

The Duvall neighborhood has eleven income tables, plus the “No” Table.

Land Use	Rent range per SqFt	VCL Range	OEX Range	CAP Range
Office and Medical & Dental	\$8.50 to \$18.00	5% - 7.5%	18% - 20%	9% - 10%
Retail & Mixed Use	\$5.00 to \$16.00	5% - 15%	10% - 15%	8% - 10%
Restaurant & Bar–Tavern	\$12.00 to \$17.00	10% - 12%	12% - 15%	9%
Industrial & Storage	\$3.00 – \$14.25	5% - 7%	10% - 15%	9% - 10%

Typically, rents for offices and medical & dental buildings range between \$8.50 and \$18.00 per square foot. VCL rates typically range between 5% and 7.5%. OEX rates typically range between 18% and 20%. CAP rates range between 9% and 10%

Typical rents for Retail and Mixed Use properties range between \$5.00 and \$16.00 per square foot. The VCL rates are estimated to be between 5% and 15%. OEX rates typically range between 10% and 15%, and CAP rates are estimated at 8% to 10%.

Restaurant, bar, and tavern rents range between \$12.00 and \$17.00 per square foot. VCL rates are estimated between 10% and 12%, while OEX's are estimated at between 12% and 15%. CAP rates for restaurants, bars, and taverns is at 9%.

Industrial and storage properties have a rental range between \$3.00 and \$14.25 per square foot. VCL rates are estimated at between 5% and 7%. OEX rates tend to range between 10% and 15%, and CAP rate ranges between 9.0% and 10%.

Area 95-35 Carnation

The Carnation neighborhood has nine income tables, plus the “No” Table.

Land Use	Rent range per SqFt	VCL Range	OEX Range	CAP Range
Office and Medical & Dental	\$8.50 to \$20.50	7.5%	12%	9% - 10%
Retail & Mixed Use	\$8.00 to \$26.00	10% - 12%	10% - 15%	9% - 10%
Restaurant & Bar–Tavern	\$13.00 to \$17.00	12%	10% - 15%	9% - 10%
Industrial, Warehouse, & Stg	\$5.00 to \$12.30	5% - 12%	10% - 15%	9% - 10%

Rents for offices and medical and dental buildings range between \$8.50 and \$20.50 per square foot, with VCL estimated at 7.5%. OEX rates are estimated at 12%, while CAP rates are estimated at between 9% and 10%.

Rents for Retail and Mixed Use properties range between \$8.00 and \$26.00 per square foot. The VCL rates are estimated to be between 10% and 12%. OEX rates typically range between 10% and 15%, and CAP rates are estimated at 9.00% to 10%.

Restaurant and tavern rents range between \$13.00 and \$17.00 per square foot, while the VCL rate is estimated at 12%. OEX rates are estimated at between 10% and 15%. CAP rates for restaurants and taverns are between 9.0% and 10%.

Industrial, warehouse, and storage properties have a rental range between \$5.00 and \$12.30 per square foot. VCL rates are estimated at between 5% and 12%. OEX rates tend to range between 10% and 15%, and CAP rates range between 9% and 10%.

Area 95-40 North Bend

The North Bend neighborhood has twelve income tables, plus the “No” Table.

Land Use	Rent range per SqFt	VCL Range	OEX Range	CAP Range
Office and Medical & Dental	\$8.00 to \$25.00	7.5% - 15%	10% - 25%	9% - 10%
Retail & Mixed Use	\$5.00 to \$20.00	7% - 10%	7% - 10%	9% - 10%
Restaurant & Bar–Tavern	\$18.00 to \$40.00	10%	10% - 15%	9% - 10%
Industrial & Warehouse	\$4.00 to \$7.50	10%	10% - 15%	9% - 10%

Typically, rents for offices and medical & dental buildings range between \$8.00 and \$25.00 per square foot. VCL rates typically range between 7.5% and 15%. OEX rates typically range between 10% and 25%. CAP rates range between 9% and 10%

Typical rents for Retail and Mixed Use properties range between \$5.00 and \$20.00 per square foot. The VCL rates are estimated at between 7.0% and 10%. OEX rates typically range between 7% and 10%, and CAP rates are estimated at 9% to 10%.

Restaurant, bar, and tavern rents range between \$18.00 and \$40.00 per square foot with those properties near the freeway interchange having the highest rent. The VCL rate is estimated at 10%, while OEX rates are estimated at between 10% and 15%. CAP rates for restaurants, bars, and taverns is between 9.0% and 10%.

Industrial and storage properties have a rental range between \$4.00 and \$7.50 per square foot. The VCL rate is estimated at 10%. OEX rates tend to range between 10% and 15%, and CAP rates ranges between 9% and 10%.

Area 95-45 East I-90 Corridor

The East I-90 Corridor neighborhood has nine income tables, plus the “No” Table.

Land Use	Rent range per SqFt	VCL Range	OEX Range	CAP Range
Office Bldgs & Uses	\$7.50 to \$19.50	10%	10%	9%
Retail & Convenience Stores	\$10.00 to \$25.00	7% - 10%	7%	9%
Restaurant & Bar–Tavern	\$12.00 to \$20.00	15%	20% - 25%	9% - 10%
Industrial & Warehouse	\$4.00 to \$15.25	10% - 15%	10% - 15%	9% - 10%

Typically, rents for offices (there are no medical or dental buildings) range between \$7.50 and \$19.50 per square foot. VCL and OEXs are estimated at 10%, while the CAP rate is estimated at 9%.

Rents for retail and convenience stores are between \$10.00 and \$25.00 per square foot. VCL typically range between 7% and 10%, while OEXs are estimated at 7%. The CAP rate is estimated at 9%.

Restaurants and taverns typically range between \$12.00 and \$20.00 per square foot, with VCL estimated at 15%. OEXs range between 20% and 25%, while CAP rates range between 9% and 10%.

Industrial and warehouse properties vary greatly in size, age, and use. The typical rents range between \$4.00 and \$15.25 per square foot. VCLs are estimated to be between 10% and 15%. OEXs range between 10% and 15% and CAP rates range between 9% and 10%.

Area 95-50 Snoqualmie

The Snoqualmie neighborhood has eleven income tables, plus the “No” Table.

Land Use	Rent range per SqFt	VCL Range	OEX Range	CAP Range
Office and Medical & Dental	\$8.20 to \$21.00	5% - 15%	10% - 20%	9% - 10%
Retail & Mixed Use	\$6.30 to 18.00	7% - 15%	7% - 10%	9%
Restaurant & Bar-Tavern	\$12.30 to \$18.00	5% - 7%	7%	9% - 10%
Industrial & Warehouse	\$5.00 to \$18.00	5% - 15%	5% - 15%	9% - 12%

Typically, rents for offices, banks, and medical and dental buildings range between \$8.20 and \$21.00 per square foot, with medical and dental offices typically occupying the upper end of the rent range. VCL, typically range between 5% and 15%, while OEXs range between 10% and 20%. CAP rates range between 9% and 10%.

Rents for retail and mixed-use properties are between \$6.30 and \$18.00 per square foot, with the higher rents from the new Snoqualmie ridge properties. VCL rates typically range between 7% and 15%, and OEXs range between 7% and 10%. The CAP rate is estimated at 9%.

Restaurants and taverns typically range between \$12.30 and \$18.00 per square foot. VCLs typically range between 5% and 7%, while OEXs are estimated at 7%. CAP rates range between 9% and 10%.

Industrial and warehouse properties vary greatly in size, age, and use. The typical rents range between \$5.00 and \$18.00 per square foot with VCL estimate between 5% and 15%. OEXs range between 5% and 15% and CAP rates range between 9% and 12%.

Area 95-55 Preston – Fall City

The Preston – Fall City neighborhood has eleven income tables, plus the “No” Table.

Land Use	Rent range per SqFt	VCL Range	OEX Range	CAP Range
Office and Medical & Dental	\$8.00 to \$16.00	5% - 10%	10% - 15%	9% - 10%
Retail & Mixed Use	\$12.00 to \$18.00	7% - 10%	7% - 15%	9% - 10%
Restaurant & Bar-Tavern	\$14.00 to \$19.50	5% - 7%	10% - 30%	9% - 10%
Industrial & Warehouse	\$4.00 to \$14.50	10% - 15%	10% - 15%	9% - 10%

Typically, rents for office space (there are no medical or dental buildings) range between \$8.00 and \$16.00 per square foot with VCL ranging between 5% and 10%. OEXs typically range between 10% and 15% and CAP rates range between 9% and 10%.

Rents for retail and mixed-use properties are between \$12.00 and \$18.00 per square foot with VCL rated between 7% and 10%. OEX rates range between 7% and 15% while CAP rates range between 9% and 10%

Restaurants and taverns typically range between \$14.00 and \$19.50 per square foot. VCLs typically range between 5% and 7%. OEX rates range between 10% and 30% and CAP rates range between 9% and 10%.

Industrial and warehouse properties vary greatly in size, age, and use. The typical rents range between \$4.00 and \$14.50 per square foot. VCL rates range between 10% and 15% while OEX rates range between 10% and 15%. CAP rates also range between 9% and 10%.

Area 95-60 Skykomish – Stevens Pass

The Skykomish–Stevens Pass neighborhood has eight income tables, plus the “No” Table.

Land Use	Rent range per SqFt	VCL Range	OEX Range	CAP Range
Office Uses	\$4.00 to \$5.50	10%	25% - 85%	9%
Retail & Convenience Mkts	\$10.00 to \$39.00	7% - 15%	10% - 15%	9% - 15%
Restaurant & Bar–Tavern	\$9.00 to \$11.00	10% - 15%	10% - 15%	15%
Industrial & Warehouse	\$.50 to \$7.00	10% - 25%	10% - 25%	10% - 12%

Area 95-60 has only a few properties that are not owner occupied. The income tables for this neighborhood were developed to support the cost and market approaches to value.

The rent allocated for office uses range between \$4.00 and \$5.50 per square foot, VCLs estimated at 10%. OEX rates, expressed as a percentage, are estimated to be between 25% and 85%. The CAP rate is estimated at 9%.

Rents for retail and convenience markets are estimated to be between \$10.00 and \$39.00 per square foot while VCLs are estimated at between 7% and 15%. OEXs range between 10% and 15% and CAP rates are estimated at 10% to 15%.

Restaurants and taverns rents are estimated to be between \$9.00 and \$11.00 per square foot. VCLs typically range between 10% and 15%, while OEX rates range between 10% and 15%. The CAP rate is estimated at 15%.

Industrial and warehouse properties vary greatly in size, age, and use. Rents range between \$.50 and \$7.00 per square foot. VCLs range between 10% and 25%. OEXs range between 10% and 25% and CAP rates range between 10% and 12%.

Additional Comments

All parcels are individually reviewed by the geographic area appraiser for correctness of the table application before final value is selected. The market rents established by the

income models are used as a guide in establishing the market rental rates used. The market rental rates applied vary somewhat, but fall within an acceptable range of variation of the established guideline. In all instances, the appraiser has the option of over-riding the calculated income value when specific circumstances warrant such a change. Final value selects are reviewed by the Senior Appraiser before posting.

Interviews with property owners, tenants, and city officials throughout Commercial Area 95 confirm that the events of September 11, 2001 had little direct impact on this real estate market. What has had a greater affect on these local, small town markets has been the overall slowdown in the regional economy that has allowed businesses once relegated to the fringe markets of east King County to be able to locate, or more specifically - relocate, to neighborhoods closer to Seattle and Bellevue. The most dramatic examples of this 'migration' are the high vacancies for the new industrial/office buildings in the Snoqualmie Ridge Business Park. This past year, however, has seen an improvement in the overall market for the area. This is best expressed by remodeling and renovations of buildings in each neighborhood.

The second noticeable affect of the economic downturn was an increase in office vacancies. The vacancies were most apparent in Area 95-20, Issaquah, which is the most urban of the communities within Area 95. This last year, however, office vacancies were typically less than 15%, and even with high vacancy rates commercial office properties have been able to maintain a fairly stable value platform due to the historically low interest rates, which in turn have enabled overall capitalization rates to maintain a range of between 7.5% and 9.5% range.

Generally, 2005 showed positive indicators. This is indicated by the increase in market activity throughtout Area 95. Between 2003 and 2004 there was a 50% increase in the number of improved sales and between 2004 and 2005 the number of sales increased an additional 12.5%. The overall market, which is reflected in the 2006 assessed values is positive. Vacancies, which had been above historic norms for most market segments, have shown a marked improvement. New, non-governmental, construction is still limited, but market sales activity has increased.

Model Validation

Total Value Conclusions, Recommendations and Validation:

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is field reviewed and a value is selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The appraiser determines which value estimate is most appropriate and may adjust by particular characteristics and conditions as they occur in the market areas.

The new assessment level is 1.03%. The standard statistical measures of valuation performance are all within IAAO guidelines and are presented both in the Executive Summary and in the 2005 and 2006 Ratio Analysis charts included in this report.

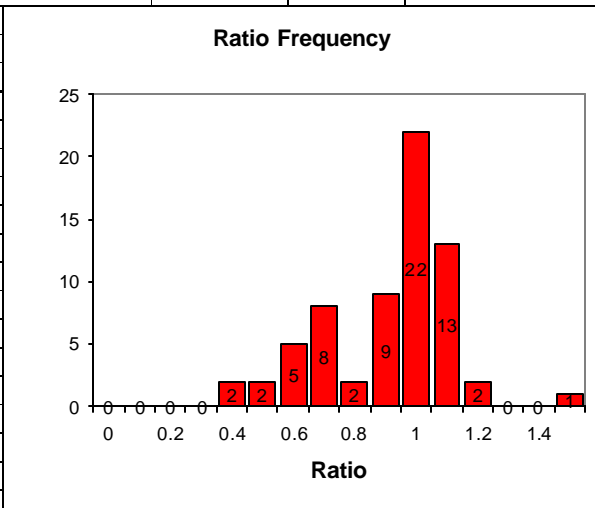
The total assessed value for the 2005 assessment year for Area 95 was \$1,806,257,570. The total recommended assessed value for the 2006 assessment year is \$1,970,099,427.

Application of these recommended values for the 2006 assessment year (taxes payable in 2006) results in an average total change from the 2005 assessments of 9.07%. This increase is due partly to upward market changes over time and new construction within the area.

Note: More details and information regarding aspects of the valuations and the report are retained in the working files and folios kept in the Assessor's office.

Improvement Ratio Study (Before)

2005 Assessments

Quadrant/Crew: East Crew	Lien Date: 1/1/2005	Date: 4/28/2006	Sales Dates: 1/1/03 - 12/31/2005
Area 95	Appr ID: RWRI	Prop Type: Improvement	Trend used?: Y / N N
SAMPLE STATISTICS			
Sample size (n)	67		
Mean Assessed Value	1,083,900		
Mean Sales Price	1,357,200		
Standard Deviation AV	1,387,059		
Standard Deviation SP	1,967,531		
ASSESSMENT LEVEL			
Arithmetic mean ratio	0.862		
Median Ratio	0.919		
Weighted Mean Ratio	0.799		
UNIFORMITY			
Lowest ratio	0.3530		
Highest ratio:	1.4601		
Coefficient of Dispersion	16.58%		
Standard Deviation	0.2050		
Coefficient of Variation	23.78%		
Price-related Differential	1.08		
RELIABILITY			
95% Confidence: Median			
Lower limit	0.864		
Upper limit	0.975		
95% Confidence: Mean		These figures reflect the sales ratios before the revaluation and are based on the 2005 assessed values	
Lower limit	0.813		
Upper limit	0.911		
SAMPLE SIZE EVALUATION			
N (population size)	1035		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.2050		
Recommended minimum:	63		
Actual sample size:	67		
Conclusion:	OK		
NORMALITY			
Binomial Test			
# ratios below mean:	25		
# ratios above mean:	42		
z:	1.95471111		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			

Improvement Ratio Study (After) 2006 Assessments

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:																
East Crew	1/1/2006	4/28/2006	1/1/03 - 12/31/2005																
Area	Appr ID:	Prop Type:	Trend used?: Y / N																
95	RWRI	Improvement	N																
SAMPLE STATISTICS																			
Sample size (n)	67	<div><div>Ratio Frequency</div><table><thead><tr><th>Ratio</th><th>Frequency</th></tr></thead><tbody><tr><td>0.7-0.8</td><td>3</td></tr><tr><td>0.8-0.9</td><td>3</td></tr><tr><td>0.9-1.0</td><td>15</td></tr><tr><td>1.0-1.1</td><td>40</td></tr><tr><td>1.1-1.2</td><td>3</td></tr><tr><td>1.2-1.3</td><td>1</td></tr><tr><td>1.3-1.4</td><td>3</td></tr></tbody></table></div>		Ratio	Frequency	0.7-0.8	3	0.8-0.9	3	0.9-1.0	15	1.0-1.1	40	1.1-1.2	3	1.2-1.3	1	1.3-1.4	3
Ratio	Frequency																		
0.7-0.8	3																		
0.8-0.9	3																		
0.9-1.0	15																		
1.0-1.1	40																		
1.1-1.2	3																		
1.2-1.3	1																		
1.3-1.4	3																		
Mean Assessed Value	1,415,600																		
Mean Sales Price	1,357,200																		
Standard Deviation AV	2,023,542																		
Standard Deviation SP	1,967,531																		
ASSESSMENT LEVEL																			
Arithmetic mean ratio	1.038	<div><div>These figures reflect the sales ratios after the revaluation and are based on the 2006 assessed values</div></div>																	
Median Ratio	1.030																		
Weighted Mean Ratio	1.043																		
UNIFORMITY																			
Lowest ratio	0.6188																		
Highest ratio:	2.1742																		
Coefficient of Dispersion	8.92%																		
Standard Deviation	0.1905																		
Coefficient of Variation	18.34%																		
Price-related Differential	1.00																		
RELIABILITY																			
95% Confidence: Median																			
Lower limit	1.012																		
Upper limit	1.046																		
95% Confidence: Mean																			
Lower limit	0.993																		
Upper limit	1.084																		
SAMPLE SIZE EVALUATION																			
N (population size)	1035																		
B (acceptable error - in decimal)	0.05																		
S (estimated from this sample)	0.1905																		
Recommended minimum:	55																		
Actual sample size:	67																		
Conclusion:	OK																		
NORMALITY																			
Binomial Test																			
# ratios below mean:	40																		
# ratios above mean:	27																		
z:	1.466033332																		
Conclusion:	Normal*																		
*i.e., no evidence of non-normality																			

Improvement Sales Used in Area 95

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
095	010	342506	9039	13,526	2159062	\$5,250,000	09/30/05	\$388.14	Plateau Professional Center & St	OSO	1	Y	
095	015	012605	9013	7,969	2086480	\$850,000	11/23/04	\$106.66	MACK'S CORNER STORE & GAS	R-1	1	Y	
095	015	012605	9141	45,638	1987893	\$1,500,000	09/12/03	\$32.87	STABLES/ARENA	RA5PSO	1	Y	
095	015	340770	0030	1,920	2077687	\$400,000	10/14/04	\$208.33	GOLD CREEK TROUT FARM	RA2.5SO	1	Y	
095	015	720239	0010	9,745	2045801	\$3,547,543	06/10/04	\$364.04	REDMOND RIDGE RETAIL-BSP	URPSO	1	Y	
095	015	720239	0020	9,473	1961645	\$2,971,000	05/19/03	\$313.63	REDMOND RIDGE RETAIL-BSP	URPSO	1	Y	
095	015	720239	0030	17,800	2174939	\$5,775,000	12/12/05	\$324.44	Redmond Ridge Retail Bldg C	URPSO	1	Y	
095	015	720239	0040	0	1942004	\$1,235,802	02/28/03	\$0.00		URPSO	1	Y	
095	020	127530	0025	16,845	2094406	\$5,500,000	12/30/04	\$326.51	Jordan Creek Office Center	PO	1	Y	
095	020	127530	0045	1,630	2161359	\$675,000	10/10/05	\$414.11	Office	PO	1	Y	
095	020	212406	9032	10,692	2068983	\$2,300,000	09/10/04	\$215.11	All-Tech Collision Center	I	1	Y	
095	020	282406	9002	22,220	2178862	\$2,000,000	12/21/05	\$90.01	Zetec Lab & Shops	IC	3	Y	
095	020	282406	9282	7,502	2063519	\$1,950,000	08/03/04	\$259.93	Key Bank & Retail	R	1	Y	
095	020	292406	9064	2,328	2034071	\$375,000	04/14/04	\$161.08	Two SFRs	PO	1	Y	
095	020	745090	0190	11,200	2174733	\$1,197,000	12/05/05	\$106.88	Zetec Training Center	IC	1	Y	
095	020	884350	0240	6,560	1957326	\$1,262,000	05/08/03	\$192.38	POGACHA RESTAURANT	R	1	Y	
095	020	884390	0511	10,824	2166817	\$2,300,000	10/24/05	\$212.49	Telepress Building	MUR	2	Y	
095	020	884390	0516	1,448	2179594	\$650,000	12/20/05	\$448.90	Magdalena's Eurpoean Cuisine	MUR	1	Y	
095	020	884390	0559	6,036	2096045	\$2,700,000	01/07/05	\$447.32	970 Gilman Place - Bldg 1	MUR	2	Y	
095	020	884430	0115	28,033	1979476	\$4,300,000	08/07/03	\$153.39	MARKETING MASTERS BLDG	MUR	1	Y	
095	030	213070	0385	5,160	2052010	\$400,000	06/29/04	\$77.52	DUVALL ANTIQUE MALL	Mxd16	1	Y	

095	030	213070	0745	1,421	2081549	\$275,000	10/28/04	\$193.53	OFFICE BLDG	R6	1	Y	
095	030	213170	0230	3,744	1955223	\$434,250	04/21/03	\$115.99	MIXED RETAIL	Co	1	Y	
095	030	213170	0475	3,128	1972455	\$450,000	07/10/03	\$143.86	OFFICE (CONV FROM 4 PLEX)	MU16	2	Y	
095	030	213210	0010	6,893	1933180	\$920,000	01/10/03	\$133.47	ALLEN STREET PROFESSIONAL CENTER	Co	1	Y	
095	035	162507	9079	2,712	2013887	\$600,000	01/12/04	\$221.24	SEPTIC TECHNOLOGY INC	LI/M	1	Y	
095	035	865730	0215	2,154	1934020	\$255,000	01/07/03	\$118.38	RESIDENCE/OFFICE	B1	1	Y	
095	035	865730	0260	1,976	2069086	\$475,000	09/01/04	\$240.38	Lithopak Offices	CBD	1	Y	
095	035	865730	0305	1,523	2110737	\$225,700	03/15/05	\$148.19	Vacant Bldg	CBD	1	Y	
095	035	865830	1000	1,860	2014127	\$270,000	01/12/04	\$145.16	ANDERSON BOOKKEEPING	UR 7.5	1	Y	
095	035	865830	2130	2,112	2033080	\$205,000	04/20/04	\$97.06	DRY GOODS STORE	CBD	1	Y	
095	035	865830	2135	1,675	2134741	\$265,000	06/17/05	\$158.21	CEDAR LOG TAVERN	CBD	1	Y	
095	035	865830	2160	5,565	2117333	\$368,000	04/20/05	\$66.13	St Vincent de Paul Thrift Store	CBD	1	Y	
095	035	865830	2180	2,980	2149634	\$520,000	08/24/05	\$174.50	Steve's Collision & Towing	CBD	2	Y	
095	035	865830	2215	480	2091145	\$177,000	12/17/04	\$368.75	Tolt River Real Estate	CBD	1	Y	
095	040	042308	9025	2,032	2138602	\$380,000	07/11/05	\$187.01	North Bend Animal Clinic	NB	1	Y	
095	040	042308	9027	59,452	2127675	\$4,675,000	05/26/05	\$78.63	North Bend Business Park	NB	1	Y	
095	040	042308	9028	2,067	2093703	\$375,000	12/23/04	\$181.42	Davis Chiropractic Clinic	EP-1	1	Y	
095	040	092308	9009	3,174	2128695	\$1,300,000	05/31/05	\$409.58	NORTH BEND SHELL	DC	1	Y	
095	040	092308	9088	2,460	2134513	\$1,700,000	06/10/05	\$691.06	Shell Gas & Mini Mart	IC	1	Y	
095	040	092308	9088	0	2007515	\$792,000	12/11/03	\$0.00	SHELL GAS & MINI-MART	IC	1	Y	
095	040	541870	0045	0	2009938	\$683,240	12/18/03	\$0.00	COUNTRY STORE	NB	1	Y	
095	040	784670	0150	980	2099023	\$334,550	01/21/05	\$341.38	Dentist Office	DC	1	Y	
095	040	784670	0200	1,320	2142361	\$325,000	07/23/05	\$246.21	Office	DC	1	Y	
095	040	784670	0200	1,320	1996876	\$215,000	09/23/03	\$162.88	ANTIQUE SHOP	DC	1	Y	
095	040	857090	0207	3,360	2085976	\$475,000	11/22/04	\$141.37	Tift Haus	DC	1	Y	
095	040	857190	0055	2,000	2019393	\$482,000	02/12/04	\$241.00	North Bend Nails	DC	1	Y	
095	040	857190	0115	2,500	1997889	\$325,000	10/20/03	\$130.00	LUCIA'S EUROPEAN TAYLORING	DC	1	Y	
095	045	142308	9009	0	2074078	\$1,625,000	09/24/04	\$0.00	Tanner Rd Properties	ISO	1	Y	

095	045	142308	9039	2,375	2106425	\$350,000	03/01/05	\$147.37	Service Shop	IP	1	Y	
095	050	322408	9051	784	2173704	\$279,000	11/30/05	\$355.87	Cascade Animal Clinic	B	1	Y	
095	050	322408	9052	1,200	2068598	\$250,000	08/12/04	\$208.33	Jim's Auto Repair	B	1	Y	
095	050	322408	9074	8,048	2153550	\$1,050,000	09/08/05	\$130.47	Truck Service	PCI	1	Y	
095	050	541710	0150	2,560	2160357	\$230,000	10/05/05	\$89.84	Northwest Custom Cycle	B	1	Y	
095	050	784920	0525	4,608	2057790	\$500,000	07/22/04	\$108.51	SNOQUALMIE VILLAGE CENTER	B	1	Y	
095	050	784920	0541	3,712	2045235	\$534,000	06/03/04	\$143.86	Edward Jones/State Farm Ins	B	1	Y	
095	050	784920	0571	4,089	2103061	\$805,000	02/23/05	\$196.87	Verner & James, Inc.	B	1	Y	
095	050	784920	0571	4,089	1936978	\$755,000	01/22/03	\$184.64	Verner & James Office Bldg.	B	1	Y	
095	050	784920	0625	1,500	2079218	\$260,000	10/22/04	\$173.33	Big Edd's Drive-in	B	1	Y	
095	050	784920	2285	3,730	2157646	\$637,775	09/12/05	\$170.99	Bank of Amercia	B	1	Y	
095	050	785180	0020	57,300	2151578	\$12,150,000	08/31/05	\$212.04	TMG Snoqualmie	MU	1	Y	
095	050	785180	0030	50,500	1947842	\$5,246,358	03/25/03	\$103.89	TRAILSIDE OFFICE BUILDING	MU	1	Y	
095	055	247590	0085	1,600	2075415	\$310,000	10/01/04	\$193.75	Theda	CB	1	Y	
095	055	247590	0110	3,736	2116004	\$400,000	04/08/05	\$107.07	Fall City Chiropractic Clinic &	CB	1	Y	
095	060	262611	9010	1,234	2074744	\$500,000	09/07/04	\$405.19	Chevron Serevice Station	C	1	Y	
095	060	262611	9038	1,920	2179843	\$200,000	12/27/05	\$104.17	Josh Towing Co.	R	1	Y	
095	060	262611	9110	0	2009115	\$207,000	12/08/03	\$0.00	Skykomish Deli	C	1	Y	